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Cases of Note

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LEGAL ISSUES

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Cases of Note

Focus on Directory Publishers

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Important Legal Case Won; Database Protection Legislation Introduced; Another Key Directory Case Slated For Trial

by **Victor Rubell** (Editor, The SIMBA Report on Directory Publishing)

It was good news times two and another on hold for specialty directory publishers this summer. An appeals court in Chicago reversed a license case in favor of CD-ROM phone directory publisher **Pro CD**; legislation was introduced to make it harder to steal someone else's database material; and legal publishers **Skinder-Strauss** and **MCLE (Massachusetts Continuing Legal Education)** will probably have their copyright infringement battle settled by a jury trial in October.

Pro CD vs. Zeidenberg

The U.S. Court of Appeals for the Seventh Circuit in Chicago wasted no time in reversing a summary judgment against **Pro CD** (Danvers, MA), in a ruling this past June that gave the CD-ROM telephone directory publisher a legal victory over Web site owner **Matthew Zeidenberg**. The ruling validates the so-called shrinkwrap license agreement included in most software.

The three-judge panel, which issued its 15-page ruling in just four weeks, reversed the summary judgment Wisconsin District Court Judge **Barbara Crabb** handed down last January. That ruling had allowed Zeidenberg's now-defunct **Silken Mountain Web Service** (Madison, WI) to download 20 million listings from Pro CD's *Select Phone*. **Jim Bryant**, CEO and founder of Pro CD appealed the ruling and his attorneys argued the case on May 23.

In the reversal, Judge **Frank Esterbrook**, writing on behalf of the panel said "shrinkwrap licenses are enforceable unless their terms are objectionable on grounds applicable to contracts in general." Judge Esterbrook went on to write that "because no one argues that the terms of the license at issue here are troublesome, we remand with instructions to enter judgment for the plaintiff Pro CD."

Zeidenberg said he was shocked by the court's decision and planned to appeal. Pro CD is still reportedly weighing its options, and has not decided if it will seek monetary damages from Zeidenberg when the penalty phase of the proceeding begins this fall.

> ***"The decision reaffirmed that license agreements are an essential element in the protection of every software company's intellectual property."***

In the summary judgment hearing held in November 1995, Zeidenberg admitted he purchased a copy of *Select Phone* and downloaded 20 million of the 100 million listings onto his Web site, but argued he was not able to read the full shrinkwrap license agreement because it was not fully printed on the outside of the wrapping. However, Judge Esterbrook wrote, "vendors can put the entire terms of a contract on the outside of a box only by using microscopic type, removing other information that buyers might find more useful (such as what the software does, and on which computers it work) or both."

The case hinged on how the court viewed the validity of license agreements enclosed in retail software, and this resulted in 'friends of the court' briefs filed on behalf of Pro CD by the **Software Publishers Association**, **Information Industry Association**, **Business Software Alliance** and **Association of American Publishers**. The briefs said license agreements must be respected and stated that if the judgment against Pro CD was not reversed, the development of new products by software publishers could be adversely affected. They argued that Pro CD and other software publishers spend great amounts of time and money developing new software products and therefore must have protection for those products.

"Pro CD extended an opportunity to reject if a buyer should find the license terms unsatisfactory," said the decision. "Zeidenberg inspected the package, tried out the software, learned of the license, and did not reject the goods."

Zeidenberg had also argued that restricting his right to download uncopyrightable phone lists on his Web service would restrict this information from the public domain but the court did not agree. "Everyone remains free to copy and disseminate all 3,000 telephone books that have been incorporated into Pro CD's database. Anyone can add sic codes and zip codes. Pro CD's rivals have done so. Enforcement of the shrinkwrap license may even make information more readily available, by reducing the price Pro CD charges to consumer

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buyers," said the court's ruling.

In its decision, the three-judge panel did not address the matter of whether *Select Phone* was protected by copyright, but stuck to the issue of licenses and the fact that it believed the CD-ROM directory was protected by its own licensing agreement. "Licenses may have other benefits for consumers; many licenses permit users to make extra copies, to use the software on multiple computers, even to incorporate the software into the user's products. But whether a particular license is generous or restrictive, a simple two-party contract is not equivalent to any of the exclusive rights within the general scope of copyright and therefore may be enforced," said the court.

"We have successfully defended our intellectual property rights and handed the software industry an important precedent in what was once a rather gray area of law," said Bryant. "I am extremely proud that Pro CD was responsible for a decision that will benefit and protect our colleagues in the software industry."

Ken Wasch, president of the **Software Publishers Association**, also expressed satisfaction with the decision and said, "Had the district court's decision not been reversed, there could have been catastrophic implications for literally thousands of software publishers." Wasch said the decision reaffirmed that license agreements are an essential element in the protection of every software company's intellectual property.

Database Protection Legislation

About a month prior to the Pro CD-Zeidenberg decision, Congressman **Carlos Moorhead** (R-CA) introduced legislation that if passed by the House and Senate, could give substantially stronger protection to the creative works of specialty directory publishers. The bill, **H.R. 3531**, is titled "**Database Investment and Intellectual Property Antipiracy Act of 1996.**" According to Congressman Moorhead, the legislation is designed to promote investment and prevent intellectual property piracy with respect to databases.

The measure, if approved in its present form, carries penalties of up to 10 years in prison and fines of $500,000 for violators of the database protection laws.

The proposed legislation says a database is subject to protection under the Act if there is "substantial investment by human, technical, financial or other resources in the collection, assembly, verification, organization or presentation of the database contents and the database is used or reused in commerce." The legislation is designed to give increased protection to specialty directory publishers and other publishers who have lost much of their protection from theft of their compilations of facts after the U.S. Supreme Court handed down its now-famous **Feist** decision in 1991, ruled that facts are not copyrightable.

The proposed legislation declares a database will be protected under the Act "regardless of whether it is made available to the public or in commercial use; the form or medium in which it is embodied; or whether the database or any contents of the database are intellectual creations." This clause protects electronic directory products as well as print products. The Act also gives protection to databases that include facts gathered from government files or made by the government itself, such as census listings.

The legislation is specific about what actions constitute the theft of lists from database creators stating "no person shall, without permission of the database owner extract, use or reuse all or a substantial part, qualitatively or quantitatively, of the contents of the database in a manner that conflicts with the database owner's normal exploitation of the database or adversely affects the actual or potential market for the database."

The proposed legislation prohibits the use or extraction of material from the protected database in a product or service that directly or indirectly competes with the original database.

Specialty directory publishers will have a long life of protection under the legislation, which says "the database shall remain subject to this Act for a period of twenty-five years from the first of January following the date when it was first made available to the public or the date when it was first placed in commercial use, whichever is earlier."

Skinder-Strauss/MCLE

U.S. District Court Judge **Patti Saris** ruled this past January that the copyright infringement suit brought by Newark, NJ-based **Skinder-Strauss Associates** against **Massachusetts Continuing Legal Education** (Boston) in May 1994, must go to trial.

The Judge issued a 40-page decision after both sides sought summary judgment in September 1995. Skinder-Strauss, which publishes law directories in six eastern states including Massachusetts, sued MCLE for allegedly copying portions of its *1993 Lawyers Diary* and reproducing them in MCLE's *1994 Massachusetts Legal Directory*. At issue in the lawsuit is the manner in which MCLE compiled its listings — an alleged infringement on Skinder-Strauss's selection, coordination and arrangement of the material.

With both sides seeking summary judgment, Judge Saris had the authority to dismiss either side's arguments. Instead she ruled in favor of MCLE on certain points and for Skinder-Strauss on some others. The decision allowed each side a bit of optimism and put on hold the major effect the case will likely have on the specialty directory publishing industry.

Quoting liberally from the 1991 Supreme Court **Feist** decision, which ruled compilation

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Sidebar

Briefly, the following two opinions were recently reported in the July 9, 1996 issue of *U.S. Law Week* (65 USLW 2027):

Bagdadi v. Nazar (5/29/96). This matter involved the issue of innocent infringement wherein language video tapes were distributed to a language school, satisfying the "publicly distributed" requirement allowing for the defense of innocent infringement. Section 17 U.S.C. 406(a) states that any person who innocently infringes the copyright in publicly distributed copies has, upon proof that he was misled by the copyright notice and acted in good faith, a complete defense; i.e. he cannot be found liable. In affirming the lower court summary dismissal, the Ninth Circuit Court of Appeals also rejected the contention that good faith for innocent infringement included a duty of inquiry where the name of the author was different from the name of the copyright holder.

Magnuson v. Video Yesteryear (6/11/96). Another Ninth Circuit Court of Appeals opinion involved an oral transfer of copyright which was later confirmed in writing. The court held that the transfer would be valid as of the time of the oral grant providing there was no dispute concerning whether the transfer occurred or the terms on which it occurred. The court applied **Konigsberg International v. Rice, 16 F.3d 355** (CA 9, 1994) in which the transfer and its terms were disputed and ruled that no contemporaneous writing was required to effect a transfer under 17 U.S.C. 204(a).

And here is more.

Towler v. John Sayles, Atcha-falaya Films, Inc., Esperanza, Inc., and Miramax Film Corporation, 76 F3d 579 (1996) This matter involves an appeal by the plaintiff from the U.S. District Court for the Eastern District of Virginia to the Fourth Circuit. The case is notable in that it outlines the elements of proof necessary to support a claim that an original work of fiction, in this case a screenplay, was produced by one party and, allegedly, copied by another and presented as his own.

University of Florida v. KPB, Inc. d/b/a "A" Notes, 1996 WL 396323 (July 31, 1996). The above-cited action involved an appeal to the Eleventh Circuit by the Plaintiff of a judgment issued in favor of defendant, a publisher of commercial study guides for students in various courses taught at the University of Florida. **A-Plus Notes** hired students attending certain lectures to take notes which they in turn marketed to the student body as a whole. The initial action filed by the University alleged statutory infringement pursuant to 17 U.S.C. 101 et seq. and common law copyright infringement of written and oral components of various lectures in fourteen courses taught during the 1990 spring semester and one course taught during the fall of 1989. Also complained of by the plaintiff was a violation of the Lanham Act's unfair competition provision. In its appeal, the University argued that the district court erred in denying plaintiff's motions for summary judgment as to the copyright issue and erred in directing verdicts in favor of defendants on the Lanham Act claims of false representation of origin and deceptive advertising. The court ruled in favor of defendants and affirmed the lower court ruling.

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trol what their children had access to in cyberspace. "Unfortunately, the House members graciously accepted their applause for opposing censorship and then, in a legislative sleight of hand, turned right around and came up with their own scheme to censor what people say and see on the Internet," said **Donald Haines**, the ACLU's Legislative Counsel.[9]

But both the House and Senate in votes of 414-16 and 91-5 respectively overwhelmingly approved the passage of the telecommunications bill. Not all conservative representatives, however, were in favor of the CDA. On June 21, 1995, powerful Republican House Speaker **Newt Gingrich** attacked the proposed act, charging that "It was clearly a violation of free speech, and the right of adults to communicate with each other. I don't agree with it and I don't think it's a serious way to discuss a serious issue."[10]

The ALA and its allies have marshaled their forces and resources and are attacking the CDA legally on many fronts. Their Memorandum of Law noted that four points are "critical" in their suit. First, the Internet is an entirely new communications medium that is different from other media in important respects. For example, the Internet's global and decentralized nature gives ordinary citizens unparalleled ability to communicate with others on a scale never before possible. Secondly, the Act criminalizes adults for speech that is constitutionally protected. Thirdly, because of the way the Internet works, "the Act effectively bans the vast majority of that speech and severely burdens the other." Fourth, the plaintiffs argue that there are already ways to protect children from inappropriate speech without having to deny adults access to that speech.[11] The Memorandum noted that "in addition to criminalizing a broad category of speech, the Act subjects an usually broad category of speeches to the risk of important and substantial fines. Nearly every online user and service provider will of necessity employ either a "telecommunication device" or an "interactive computer service," or both. Almost all of the tens of millions of users of the Internet are "content providers." By the very nature of the Internet, most material that is stored in a database or made part of a bulletin board can be accessed by anyone and 'ipso facto ' displayed in a manner available to persons under 18. Thus the Act regulates the behavior of everyone who uses the Internet or cyberspace...."[12]

Screening technology is available, the Memorandum pointed out. For example, online services have control systems available for parents at no additional cost, while a variety of software providers have developed applications to use in conjunction with commercial online services. Krug said it's unrealistic to expect libraries to use blocking mechanisms to restrict children's access to the Internet. "Programs that block access to certain sections would block access to everyone, including adults," Krug explained. "Some services use a password, but how long do you think the password would remain a secret with hundreds of computer users in libraries everyday. Since online services and web sites are constantly changing, what was considered "decent" yesterday might suddenly have a forbidden word or picture tomorrow. Even having a special Internet source for children would be a risk because libraries would never know when these sources might change."[13] Krug and other librarians who oppose the indecency provision of the CDA say parents worried about what is on the Internet should come to the Library with their children and together explore cyberspace. "It's important for parents to guide their children's Internet use the same way they supervise their children's reading and television viewing," Krug said.[14]

The controversy surrounding the CDA has deflected attention away from the historic and powerful impact that the **Telecommunications Act of 1996** will have on society and libraries. The experts say that the new legislation will effect every aspect of telecommunications and redefine the communications industry so rapidly that it will effect practically every segment of American society, including libraries. For example, the legislation calls for discounted rates for interstate telecommunications devices for libraries and schools. The ALA has filed comments with the **Federal Communications Commission**, recommending ways to implement these provisions.

Libraries will play an important role in the implementation of the Telecommunications Act of 1996, experts say, even though much of the library community objects to the CDA. "The bill is not an unmitigated disaster," **Andrew Blau**, a member of the Executive Board of the **Urban Libraries Council** and advisor to the **Microsoft/American Library Associates Online** initiative, told *Library Journal*. "It's premature to write the obituary for the public interest as a result of the new legislation. Legislative concerns notwithstanding, libraries should not view the new law as a threat but rather a succession of opportunities that will roll out over the next several months and years to help define what the public interest will mean in the Digital Age."[15]

In the meantime, the library community's attention will continue to focus on challenging the CDA. This past June 12, a federal district court panel in Philadelphia declared the CDA unconstitutional. The case will go before the U.S. Supreme Court after the U.S. Department of Justice announced on June 28 that it would appeal the lower court decision. "We are excited; the decision is everything

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of facts is not copyrightable, Judge Saris upheld MCLE's claim that it did not violate copyright law in its selection of data and in its publication of the *1993 Lawyers Diary*. The Judge ruled that "this case is indistinguishable from **Feist** and copyright protection is unwarranted."

Her ruling further explained that both publications "include numerous charts, lists, maps and similar items, which contain information that is so-called 'common property' and does not vary with the creativity of the compiler." Judge Saris also commented that "in compiling a Massachusetts directory of lawyers and judges, Skinder-Strauss did not exercise even a minimal degree of creativity in a Festoon sense."

The Judge also ruled that a jury will have to decide whether MCLE engaged in unfair trade practices by describing the *1994 Massachusetts Legal Directory* as "official" in its print advertising and marketing brochures. Judge Saris wrote, "even though attorneys are sophisticated consumers, MCLE's advertising might give the impression that its directory somehow carried an imprimatur of state authority."

Despite ruling that the parts that make up the Skinder-Strauss *1994 Massachusetts Legal Directory* are not copyrightable, the Judge ruled the directory "as a whole is copyrightable as a compilation, even if the compilation's elements, considered individually, are excluded from copyright, the 'selection, arrangement, and coordination' of the elements taken as a whole may be protected." Quoting directly from the **Feist** decision, Judge Saris wrote, "originality requires only that the author make the selection or arrangement independently (without copying the selection or arrangement from another work) and that it display some minimal level of creativity."

Judge Saris then pushed the entire copyright infringement matter back to square one when she ruled "the difficult question is whether or not, as a matter of law, the compilation of features" in the MCLE directory "is substantially similar to those" in the Skinder-Strauss directory. "The Court cannot conclude on summary judgment, however, whether the two works are substantially similar as a matter of law."

Judge Saris will preside at the trial, which will be held in U.S. District Court in Boston before a six-member jury and is expected to last about one week. The trial date has been tentatively set for Oct. 7.